

Message Text

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ACTION EA-09

INFO OCT-01 IO-10 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03

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C O N F I D E N T I A L MANILA 15274

E.O. 11652: GDS

TAGS: ETRD, RP

SUBJECT: US/RP ECONOMIC NEGOTIATIONS

REF: MANILA 15043

SUMMARY. AS INDICATED DURING RECENT CONSULTATIONS DEPT, ECON/COMMERCIAL COUNSELOR MET OCT 29 WITH FINANCE SECRETARY VIRATA FOR A REVIEW OF ISSUES AND PROSPECTS FOR ECONOMIC TALKS WITH THE PHILIPPINES. (MEETING DELAYED DUE TO VIRATA'S ILLNESS). VIRATA (A) WAS VERY INTERESTED IN APPRAISAL GIVEN TO HIM OF PROSPECTS FOR MEANINGFUL CONCESSIONS BY U.S. ON TRADE ITEMS, EG., COCONUT OIL AND PHILIPPINE MAHOGANY, (B) INDICATED CONTINUING HOPES THAT FINAL US/GSP LIST WOULD CONTAIN MORE ITEMS OF MAJOR TRADE VALUE TO PHILS; (C) REITERATED GOP PREFERENCE TO CONSIDER FIRST TRADE MATTERS OF INTEREST TO PHILS IN ANY DISCUSSION; (D) RECOGNIZED, HOWEVER, THAT TALKS ON ANY BASIS OTHER THAN ALREADY SPECIFIED IN U.S. NOTE AND PROPOSED DRAFT (REFTEL) WOULD BE MOST UNLIKELY; AND (E) INDICATED AGREEMENT TO TALKS ON GENERAL PREMISES PROPOSED BY VEGA (REFTEL) IN LATE NOVEMBER AND

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POSSIBLY IN WASHINGTON IF THAT SHOULD PROVE NECESSARY.

DEPT REPLY TO REFTEL URGENTLY NEEDED TO KEEP DIALOGUE ON THE TRACK. END SUMMARY

1. TO INITIATE DISCUSSION, ARNOLD OUTLINED SUBSTANCE RECENT TALKS WASHINGTON, INTER ALIA, WITH TRADE POLICY STAFF COMMITTEE, NOTING THAT ATTENTION AT MOMENT CENTERED ON ABOUT-TO-BE-PUBLISHED US GSP LIST, BUT STATING THAT A NUMBER OF KEY PHILIPPINE INTERESTS WOULD NOT BE REPRESENTED. HOWEVER, THERE WAS UNEQUIVOCAL WILLINGNESS TO TALK WITH GOP IN TERMS OF MEANFUL CONCESSIONS ON ITEMS SUCH AS COCONUT OIL AND PHILIPPINE MAHOGANY PLYWOOD, BUT IT WAS EXPECTED THAT ANY SUCH CONCESSIONS WOULD BE CONSIDERED IN A CONTEXT OF AGREEMENT ON PENDING TRADE AND INVESTMENT ISSUES OF INTEREST TO BOTH COUNTRIES. VIRATA SAID IT WAS IMPORTANT FOR GOP TO KNOW HOW PHILIPPINES FARED IN GSP LIST BEFORE PROCEEDING TOO FAR WITH BILATERALS, AND HE CONTINUED TO BELIEVE THAT PHILS WOULD FALL HEIR TO SIGNIFICANT BENEFITS IN THE MTN DISCUSSIONS. ARNOLD NOTED THAT ON ITEMS IN WHICH PHILS WERE PRINCIPLED OR MAJOR U.S. SUPPLIER, E.G., COCONUT OIL, THERE SEEMED LITTLE PROSPECTIVE DIFFERENCE BETWEEN RECIPROCITY THAT WOULD BE EXPECTED OF GOP WHETHER AGREEMENT REACHED IN MTN OR IN A BILATERAL NEGOTIATION. VIRATA TOOK THIS NOTION ON BOARD IN HIS USUAL DEAD PAN FASHION, BUT SEEMED MORE RELAXED ABOUT GETTING ON WITH BILATERALS.

3. VIRATA SEEMED MORE PREOCCUPIED THAN USUAL WITH THE EXTENT TO WHICH ANY US/RP AGREEMENT WOULD INVOLVE A CONGRESSIONAL OVERLOOK. ARNOLD STATED THAT IN VIEW OF THE HISTORY OF US/RP AGREEMENTS AND IN LIGHT OF THE REQUIREMENTS OF THE TRADE ACT, THE CONGRESS WOULD BE DEEPLY INVOLVED, EITHER THROUGH CONSULTATION OR RATIFICATION PROCEDURES, OR BOTH. VIRATA ASKED ABOUT CONGRESSIONAL INTEREST IN TARIFF CUTS UNDER TITLE I AND WAS INFORMED THAT INTEREST IN ANY SUBSTANTIAL CONCESSIONS WOULD BE KEEN. ON USE OF TITLE V KCXXS JDLHLRUE, ARNOLD STATED THERE WAS NO DOUBT IN WASHINGTON THINKING THAT ANY USE OF WAIVER AUTHORITY WOULD EVOKE CLOSE CONGRESSIONAL SCRUTINY OF ANY ACTUAL OR PROSPECTIVE US/RP TRADE AND INVESTMENT AGREEMENT. VIRATA EXPRESSED DOUBTS THAT TITLE V REQUIRED AGREEMENT ON INVESTMENT MATTERS. ARNOLD REPLIED THERE CONFIDENTIAL

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APPEARED NO DOUBT AS TO THIS INTENT IN THE LEGISLATIVE HISTORY.

4. ON STAGING OF TALKS, VIRATA VERIFIED A REPORT OF INDUSTRY SEC PATERNO THAT PHILS WOULD PREFER TO HOLD ANY MINISTERIAL LEVEL TALK WITH THE U.S. AFTER THE ASEAN SUMMIT, NOW SCHEDULED NOMINALLY FOR FEBRUARY 1976. THIS SEEMED TO JIBE COMFORTABLY IN VIRATA'S MIND WITH A

LATE NOVEMBER TECHNICAL ROUND, GIVEN THE NEAR TOTAL LOSS OF DECEMBER AND EARLY JANUARY TO TRADITIONAL CHRISTMAS CELEBRATIONS, AND THE LEAD TIME NECESSARY TO GET TOP LEVEL TEAMS TOGETHER ONCE THE ISSUES ARE FOCUSED. US GSP WOULD, OF COURSE, BECOME A FAIT ACCOMPLI IN THE INTERIM.

5. REGARDING LOCATION, VIRATA RECALLED THE AGREEMENT IN THE JULY 1974 JOINT PRESS RELEASE TO TALKS IN WASHINGTON, BUT HE HAS SOME RESERVATIONS ABOUT BEING ABLE TO MOVE THE WHOLE PHILIPPINE TEAM (AT TIMES AS MANY AS 25-30) TO THE U.S. FOR THE NEXT ROUND. HE SEEMED AGREEABLE IN PRINCIPLE TO TALKS IN WASHINGTON, WHEN ARNOLD EXPLAINED THE COMPETING CLAIMS ON KEY PEOPLE LIKELY TO BE IN THE U.S. PANEL.

6. COMMENT: THIS TALK REVEALED THE USUAL SCATTERING OF ATTITUDES, PERCEPTIONS AND RESPONSIBILITIES IN GOP ON US/RP TRADE AND ECONOMIC RELATIONS, BUT IT ALSO INDICATED GREATER RECOGNITION OF USG LIMITATIONS. IT IS OBVIOUS THAT FEW, IF ANY, IN GOP ARE WEDDED TO THE IDEA OF IMMEDIATE AND COMPREHENSIVE TALKS WITH US. IT IS EQUALLY OBVIOUS, HOWEVER, THAT TALKS ON MATTERS OF INTEREST TO GOP NOTABLY COCONUT OIL AND MAHOGANY HAVE DEVELOPED A CONSIDERABLE URGENCY AT TOP LEVELS OF GOVERNMENT. VIRATA AND OTHERS, THEREFORE, ARE WILLING TO PAY OUR PRICE FOR TALKS ON TRADE ITEMS, BUT OUR ABILITY TO KEEP THEM ON THIS TACK IS NOT HELPED BY SLOW RESPONSE TO THEIR NOTE. WE THEREFORE, NEED A REPLY TO REFTEL AS SOON AS POSSIBLE. SULLIVAN

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